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Propaganda on Chinese sputnik: Moscow radio has quoted Peiping as stating that Chinese Communist scientists are working on an earth satellite, and a Soviet diplomat says that Peiping is preparing to launch a satellite with Soviet help. These are the latest in a series of such reports. China has no capability to launch a sputnik at this time, but the Soviet Union could probably orbit a satellite from China within six months after starting such a project, if the Communists decided that the psychological impact in Asia were worth the great effort required. [REDACTED]

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et
Communist China - copper: Peiping has recently started a program calling for the construction of 3,000 small copper-smelting furnaces within a year which would produce a total of some 165,000 tons annually. China's present domestic requirements are now between 40,000 and 50,000 tons a year. Imports by the entire Sino-Soviet bloc have averaged 120,000 tons a year over the past five years. [REDACTED]

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DAILY BRIEF

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Cyprus: Turkish Cypriot leaders are fostering the mass movement of the populace of 24 small villages to the northern half of the island in an effort to prove that partition is not only possible but is actually under way. Governor Foot, who is usually optimistic over his efforts on Cyprus, has become despondent over the deteriorating security situation, and has no plans for any new political initiative on the island.

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III. THE WEST

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*Finland: President Kekkonen, possibly for tactical reasons, has asked the leader of the Communist-front Finnish People's Democratic League (SKDL) to try to form a government. The SKDL is the largest single party in parliament, and the president's action is customary but not obligatory. Since the non-Communist parties declare that the Communists will not be permitted in any new cabinet, the SKDL's prospects at this time are not favorable. The intense personal bitterness which has split the non-Communist parties, however, will continue to hamper the formation of a stable government. This dissension led to a Communist victory recently in parliament, and continued bickering cannot but benefit the Communists.

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DAILY BRIEF

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Rumors Persist of Chinese Communist Earth Satellite Preparations

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[redacted]
with Soviet help Communist China was preparing to launch a satellite. Two days previously a Moscow broadcast cited a Peiping radio report that the Chinese were "working on" an earth satellite in "Shanghai and other places." [redacted]

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[redacted] the Chinese Communists had set a goal of launching a satellite in August. A Chinese Communist spokesman said in June that his country hoped to launch a satellite "in the near future."

China has no present capability to launch a satellite, and such an effort would require considerable Soviet assistance. The Communists may feel that a combined Sino-Soviet launching from Chinese territory would be worth the effort in terms of its psychological effect. A successful launching would impress international, particularly Asian, opinion and would advance Peiping's march to great-power status. [redacted]

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[redacted]

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[redacted]

Chinese Launch Program to Produce More Copper

Peiping has launched a program to increase China's copper-smelting capacity by 150,000 tons within a year. It intends to get this roughly tenfold increase in capacity by setting up some 3,000 small primitive copper smelters, each with a capacity of 50 to 100 tons a year.

Administrative problems appear to be the most serious obstacle to the attainment of this goal. Capital outlays will be minimal, and raw materials present no special difficulties. Peiping, however, must be prepared to accept an end product containing a high percentage of impurities and requiring further refining prior to use.

This program would be significant to the whole Sino-Soviet bloc, which over the past five years has had to import an average of 120,000 tons of copper a year from the free world. If the new program is fully realized, China will be producing some 165,000 tons of copper a year, against domestic requirements of 40,000 to 50,000 tons. Depending on the degree of success achieved, it may therefore have up to 120,000 tons a year for sale to its bloc partners.

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Violence on Cyprus

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Cyprus Governor Foot is unusually despondent over the current situation on the island. Violence continues despite the mass arrests of last week which were designed to halt intercommunal attacks. EOKA appears directly responsible, although isolated Turkish attacks on Greek Cypriots continue. This is in line with EOKA leader Grivas' recent call for "total destruction" on Cyprus rather than continued British rule. About 350 Turks, acting from fear of EOKA and encouraged by Turkish Cypriot leaders who hope to achieve de facto partition of the island, have recently moved north of the 35th parallel.

The Greek Cypriot mayor of Nicosia has called for the immediate dispatch of "observers"--presumably UN--to the island "to investigate the ghastly situation and the incapacity of Britain to govern Cyprus." Turkish Cypriot leaders are demanding the presence of Turkish troops on Cyprus to protect their community. In London, Colonial Secretary Lennox Boyd has announced that Archbishop Makarios will not be allowed to return to Cyprus until violence ceases despite Greek insistence that such a move would facilitate a settlement.

Karamanlis, increasingly critical of US policy toward Greece and Cyprus in recent weeks, violently castigated American "provocative indifference" in a recent interview with Ambassador Riddleberger. Declaring that Washington had adopted a pro-Turkish attitude, Karamanlis warned that, in order to save Greece from falling to the Communists, he would soon be forced to take an undisclosed initiative on his own.

Meanwhile in Paris, where NATO Secretary General Spaak has been conducting informal conversations with the NATO representatives of Britain, Greece and Turkey, visiting Greek Foreign Minister Averoff told Spaak that independence for Cyprus, within or without the Commonwealth, would be the best

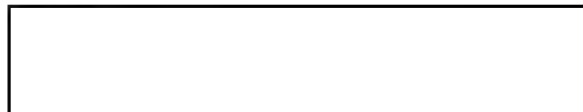
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solution. Averoff was willing to subscribe to a guaranty that Cyprus would remain within the Commonwealth for 25 years. While Commonwealth status for Cyprus, combined with guarantees for the minority on the island, might have been acceptable to Ankara some months ago, Turkey probably would not agree to such a solution at this time.

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III. THE WEST

Finnish Political Situation Benefits Communists

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President Kekkonen of Finland, following the customary parliamentary practice, on 31 July reportedly asked deputy Eino Kilpi of the Communist-front Finnish People's Democratic League (SKDL), as head of the largest party in the newly elected Diet, to try to form a majority government. On 29 July, the SKDL had scored a victory in parliament when in its opening session it obtained the post of first vice speaker through the cooperation of 40 of the 48 Agrarians, the 50 SKDL deputies, and the 13 dissident Social Democrats.

The formation of a government including the SKDL is unlikely at the present time in view of the stated opposition of the democratic parties to allowing the Communists to participate in a new cabinet. The President's move may be designed to silence the Communists by giving them a chance to form a government. The elections in parliament, however, indicate the intense bitterness between the two Social Democratic factions and between the regular Social Democrats and the Agrarians, and will make all the more difficult the formation of a stable democratic majority government which can cope with Finland's pressing economic tasks, such as economic expansion and industrialization to increase the standard of living. A continuation of ineffective governments and a failure to cope with the country's economic needs will inevitably benefit the SKDL.

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